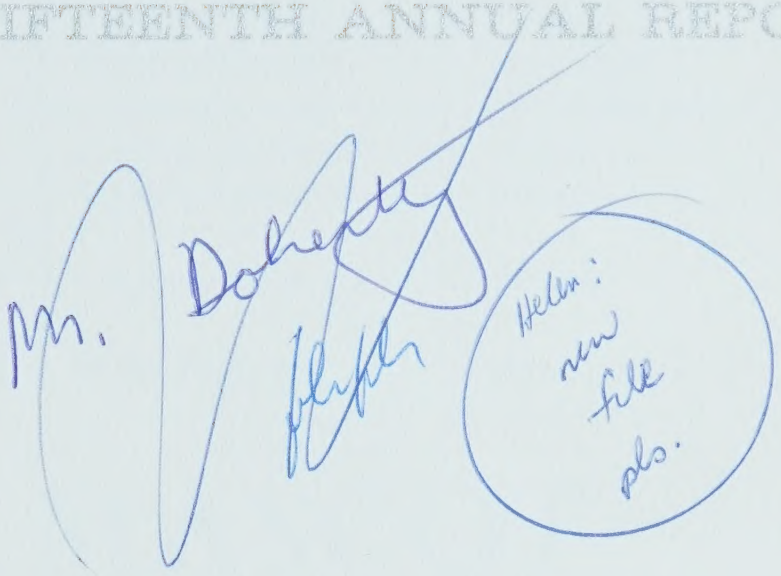
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GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

FIFTEENTH ANNUAL REPORT



1965


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DIRECTORS	A. J. CHILCOTT - - - - - - *Vancouver*
	J. L. GIBSON - - - - - - - *Vancouver*
	W. C. GIBSON - - - - - - - *Vancouver*
	DR. W. A. McELMOYLE - - - *Victoria*
	L. P. STARCK, P.ENG. - - - - *Vancouver*
	P. A. WOOTTEN - - - - - - *Vancouver*
OFFICERS	W. CLARKE GIBSON - - - - *President*
	PHILIP A. WOOTTEN - - - - *Vice-President*
	L. P. STARCK, P.ENG. - - - - *Vice-President and General Manager*
	ALLAN H. AINSWORTH - - - *Secretary*
	STINSON CLARKE, F.C.I.S. - - *Treasurer*
GENERAL MANAGER	L. P. STARCK, P.ENG. - - - - *Vancouver*
RESIDENT MANAGER	FRANK HOLLAND - - - - - *Hope*

GIANT MASCOT

MINES LIMITED

(Non-Personal Liability)

15TH ANNUAL REPORT

(Incorporated under the Laws of the Province of British Columbia)

Listed on the Vancouver and Toronto Stock Exchanges.

REGISTERED OFFICE	625 - 925 West Georgia Street, Vancouver
BUSINESS OFFICE	1825 Marine Building, Vancouver
REGISTRAR AND TRANSFER AGENTS	Canada Permanent Trust Company, Vancouver and Toronto
GENERAL COUNSEL	Ainsworth, Henson, Norby, Purvis & Kendall, Vancouver
AUDITOR	R. M. Hoyland, C.A., Vancouver
ANNUAL GENERAL MEETING	January 28, 1966, 3:00 p.m., Hotel Vancouver, Vancouver

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)



REPORT OF THE DIRECTORS

To the Shareholders of Giant Mascot Mines Limited (N.P.L.):

The Directors are pleased to submit herewith this Fifteenth Annual Report of the Company, together with financial statements and a statement of source and application of funds.

Dividends of $279,939 were paid during the year at the total rate of 8c per share. A net profit of $291,190 was earned after providing $63,074 for taxes and $318,603 for depreciation, including new level access. As at September 30, 1965, our working capital was $736,747.

Your company elected as of this November to place the Estella mine near Cranbrook, B.C., into production on a 60-40 basis with Copper Soo Mining Company Limited (N.P.L.). This property was thoroughly investigated by our own engineering and geological staffs and indicates a full pay out in the first year of operation, plus attractive earning and exploration potentials. Machinery and equipment for this operation is presently being assembled and construction will start as soon as weather permits. Production of concentrates, which will go to The Consolidated Mining and Smelting Company of Canada Limited at Trail, is expected to start in early June, 1966.

During the past year the Company carried out its full commitment to the Canam Copper Company, Ltd. on its copper property in the Hope-Princeton area. Our own preliminary study is encouraging and up to our expectations; however, in view of the large capital expenditures involved, we are having an independent production report prepared by J. A. C. Ross and Associates Ltd. and Wright Engineers Limited.

Your directors have recently formed Giant Explorations Limited (N.P.L.), a 5,000,000 share affiliate company, to concentrate on the exploration phase of the mining industry. This new public company, in which Giant Mascot will have a substantial vendor's position for turning over its holdings in the Nahwitti Lake area, Dynasty-Vangorda area and Pine Point area, is also acquiring additional holdings in certain of these areas. The participation of your company in this aggressive exploration company will add greatly to its future growth in the rapidly expanding mineral industry.

To put a firm financial base under Giant Explorations, Giant Mascot will buy approximately 350,000 shares at 50c each, which will place $175,000 in the treasury of Giant Explorations Limited (N.P.L.).

The above shares will be distributed as a dividend to Giant Mascot shareholders on the basis of one share of Giant Explorations Limited (N.P.L.) for each ten Giant Mascot Mines Limited (N.P.L.) shares held at date of record, to be announced shortly. In addition, rights to purchase shares in Giant Explorations at 50c each will be issued on the basis of two shares for each one share of Giant Explorations received in the stock dividend.

The whole issue will be firmly underwritten so as to assure Giant Explorations starting with approximately $500,000 in the treasury.

The above arrangement is, of course, subject to the approval of the Superintendent of Brokers and the Vancouver Stock Exchange.

Our General Manager's report deals in more detail with the potentially attractive properties that will be acquired by Giant Explorations.

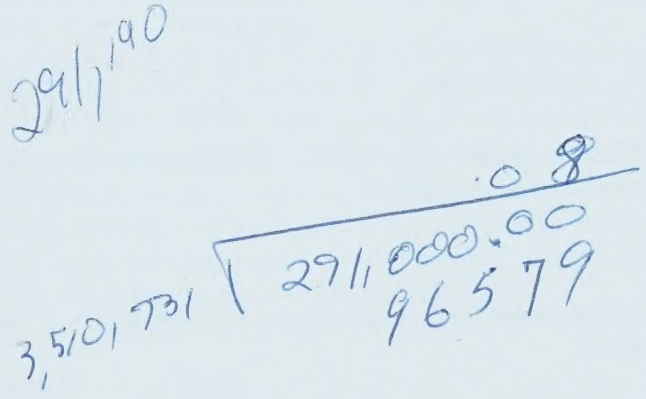
Your Directors view the past year as one of progress. While our proven tonnage is somewhat reduced from last year due in a great degree to manpower shortage, indicated anomalies to be further developed give encouragement of sustained production, and with new operations in the making, the coming year promises further advances.

The Directors wish to take this opportunity to express their appreciation to management and staff for a job well done.

Vancouver, B.C.
December 28, 1965.

On behalf of the Board,

"W. C. GIBSON,"
President.



GIANT MASCOT MINES LIMITED

(Non-Personal Liability)



December 28, 1965

The President and Directors
Giant Mascot Mines Limited (N.P.L.)
1825 - 355 Burrard Street
Vancouver 1, B.C.

Dear Sirs:

This report covers the Company's activities for the fiscal year ended September 30th, 1965.

Production

The following are the production figures for 1965 and comparable figures for 1964 and 1963.

	1965	1964	1963
Ore treated (tons)	**330,421**	324,635	313,836
Nickel-Copper concentrates produced (tons)	**19,723**	19,484	20,107
Nickel recovered (pounds)	**3,933,680**	3,958,393	4,203,866
Copper recovered (pounds)	**2,053,617**	1,945,145	2,049,622
Grade of ore treated — % nickel	**0.76**	0.78	0.85
Grade of ore treated — % copper	**0.34**	0.34	0.39

During the period July 1, 1959 to September 30, 1965, 1,838,824 tons of ore grading 0.87% nickel and 0.34% copper have been mined and milled.

Operating Costs

Operating costs, including development and exploration, as summarized below, totalled $1,668,951 or $5.04 per ton treated.

	1965	1964	1963
Mining	**$ 2.33**	$ 2.31	$ 2.42
Concentrating	**1.22**	1.34	1.34
Administration	**0.52**	0.45	0.47
Development and exploration	**0.97**	1.04	0.89
	$ 5.04	$ 5.14	$ 5.12

Operating costs were lower than in previous years as the result of improved operating efficiency in the concentrating plant.

Net Smelter Returns and Operating Profit (Before taxes and depreciation)

	Net Smelter Returns		Operating Profit	
	per year	per ton	per year	per ton
1965	**$ 2,333,352**	**$ 7.06**	**$ 664,401**	**$ 2.01**
1964	2,324,855	7.16	653,456	2.01
1963	2,491,436	7.94	886,060	2.82

Ore Reserves	1965	1964	1963
Tons	**757,464**	1,014,840	1,024,727
% Nickel	**0.81**	0.93	0.95
% Copper	**0.32**	0.38	0.35

These proven, probable and possible ore reserves include a 10 percent allowance for stope wall dilution, but no allowance for dilution from development waste.

The 7.8 miles of stope outline and exploratory diamond drilling done during the year added appreciable tonnages of ore to the reserves. On the other hand, for economic reasons and with detailed drilling in certain areas, tonnages of previously estimated reserves have been written down.

Several new zones, namely, the 1500 zone below 3250 level, and the 2000 and 2200 zones above 2600 level, were indicated by exploratory diamond drilling, but for the most part only token tonnages have been placed on them. These zones are under development by drifting and raising and it will be three to six months before their full extent can be assessed.

Mining

The following table shows the total footage of development work and drilling for the three years to date.

	1965	1964	1963
Raising	**5,447**	5,547	3,138
Drifting	**3,330**	3,192	4,259
Longholing	**195,909**	198,435	159,670
Diamond drilling	**41,382**	43,386	54,101

The 1.7 miles of underground development work was concentrated mainly on 3250 level to develop the 600, 1500, 1900, Brunswick No. 1 and Brunswick No. 10 zones. However, work was also done in the 512, 600, 1400, 1500 and Pride of Emory zones above 3550 level. The 600, 1500 and 1900 zones above 3250 were brought into production during the year.

The Brunswick No. 2 produced 23.8% of the production, the Pride of Emory 27.2%, the 1600 zone 22.4% and the 1500 zone 10.8%. The remainder of the plant feed was from the Brunswick No. 1 and 1400 zones and development headings. The latter was mainly in waste and adversely affected the grade of feed to the concentrator.

Concentrator

The tonnage treated in the concentrator averaged 1,305 tons per operating day, as compared with 1,260 tons in 1964. During the latter part of the year peak tonnages of 1,410 tons per day were obtained. The metallurgical recovery averaged 78.3% for nickel and 92.4% for copper.

Six No. 21 flotation cells were added to the scavenger circuit and an eight foot diameter conditioner and two No. 30 flotation cells were added to the primary circuit.

Capital Expenditures

One hundred and twenty seven thousand four hundred and thirty seven dollars ($127,437) was spent on plant and equipment, principally for concentrator equipment and plant additions ($24,869), a D7 tractor ($24,720), mobile equipment ($17,272), 30 mine cars ($16,371), 5 locomotives ($16,006), 3 surface and underground diamond drills ($8,685), and various other items of equipment and plant additions.

Outside Exploration

In view of the major exploration expenditures on the Canam property only a limited number of outside property examinations were made; four in the Yukon and 11 in British Columbia. Of

these, two were optioned, namely, the Nahwitti Lake group and the Estella mine of Copper Soo Mining Company Limited (N.P.L.).

General

The shortage of experienced mining personnel in the industry has made it difficult to maintain our desired rate of development work during the past year, and no improvement is expected in the coming year.

There were 155 full time employees on the payroll as of the year end. The number of hirings and separations during the year were 199 and 192 respectively, as compared with 108 and 112 for last year.

A two year extension, to March 1968, of our sales contract for nickel-copper concentrates was negotiated with Sumitomo Shoji Canada Limited.

Canam Copper Project

The Canam Copper property, which is located on the Hope-Princeton Highway some 30 miles from Hope, B.C., was optioned on June 15, 1964. Since that date 555 feet of exploration raises were driven, the 4300 and 4900 levels were rehabilitated, and 111 surface and underground diamond drill holes aggregating 21,417 feet were drilled. This work, which cost $236,936, outlined 2,130,000 tons of proven and probable and 670,000 tons of possible grading 1.32% copper, 0.033% molybdenum, 0.71 ounces silver and 0.015 ounces gold, after allowing 15% dilution.

On the basis of the preliminary feasibility study, these tonnages and grades can be mined at a profit. An independent production report is being prepared by J. A. C. Ross and Associates Ltd. and Wright Engineers Limited.

Estella Project

Following a feasibility study on the Estella mine, which included a complete resampling of the recently developed areas of the mine, your Company elected to place it into production.

For installing the concentrator, equipping the mine, and placing this silver-lead-zinc property into production for an estimated cost of $400,000, the Company will earn a 60% interest in the producing company, Giant Soo Mines Limited (N.P.L.). It is estimated that the 49,000 tons of proven and probable ore reserves, grading 2.9 ounces silver, 7.0% lead and 14.1% zinc, should have a net smelter return of $34.50 per ton, which with operating costs of $19.90, should net $14.60 per ton.

An additional 10,000 tons of ore is indicated on the extensions of the proven and probable reserves and there are possibilities of developing ore in the main shear zone to the southeast and below the present workings. Extensive geological work has also indicated the possibility of finding replacement ore below the Purcell sill.

The concentrates will be shipped to The Consolidated Mining and Smelting Company of Canada Limited at Trail.

Giant Explorations Limited (N.P.L.)

The new public company, Giant Explorations Limited (N.P.L.), is acquiring a group of 83 claims at Nahwitti Lake on the north end of Vancouver Island, which is a promising silver-lead-zinc-copper prospect having well over 25 mineralized showings along a five mile strike length. Sixteen claims in the Dynasty-Vangorda area, Yukon Territory, which are parallel and contiguous to the south boundary of Dynasty Explorations Limited claims that encompass their Ace anomaly; and 67 claims in the Pine Point area, Northwest Territories. The Pine Point claims consist of two groups, the AB group, which lies to the west of Buffalo River some six miles west of the Pine Point Mine holdings and the Mag group which lies some five miles to the east of the Pyramid anomalies.

An active geological and geophysical exploration program will be initiated on these properties as soon as the technicalities of forming this company are finalized.

Summary

The future of Giant Mascot Mines Limited (N.P.L.) has been enhanced during the past year with the encouraging exploration results on the Canam Copper project, its agreement to earn a 60% interest in the Estella mine by placing it into production on a 100-ton per day basis, and its participation in Giant Explorations Limited (N.P.L.), an aggressive exploration company acquiring claims on the north end of Vancouver Island, the Dynasty-Vangorda area and the Pine Point area.

In addition, the prospects of developing tonnages of new ore at the Hope nickel operation, particularly in the 1500, 2000 and 2200 zones, are good.

The support of the President and Directors of the Company and the cooperation of the staff and employees is gratefully acknowledged.

Yours very truly,

GIANT MASCOT MINES LIMITED (N.P.L.)

"L. P. STARCK, P.Eng."
General Manager

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

AND SUBSIDIARY

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 1965

Funds provided by:		
Operations:		
Charges not requiring cash outlay:		
Depreciation	$ 179,377	
Amortization of assets sold	25,456	
Leasehold improvements	704	$ 205,537
Profit for the year		291,190
		496,727
Proceeds from sale of fixed assets	8,493	
Proceeds from sale of shares	18,400	26,893
		523,620
Funds were applied to:		
Purchase of fixed assets	127,437	
Purchase of mining properties	4,254	
Leasehold improvements	3,518	
Exploration and development of Canam property	165,581	
Dividends paid	279,939	
Mining tax prior years	2,861	
Payments on equipment	17,510	601,100
Decrease in working capital		$ 77,480
Working capital — September 30, 1964		$ 814,227
Decrease as above		77,480
Working capital — September 30, 1965		**$ 736,747**

Exhibit "B"

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

AND SUBSIDIARY

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED SEPTEMBER 30, 1965

Mineral Production:		
Value of concentrates produced	$ 2,309,971	
Premium on exchange	179,407	$ 2,489,378
Less, marketing charges		156,027
		2,333,351
Deduct:		
Mining costs	769,437	
Concentrating costs	403,771	
Mine development	321,667	1,494,875
Income from production		838,476
General and administrative expenses	172,225	
Directors' fees	1,850	174,075
		664,401
Add:		
Rents	1,377	
Interest	20,809	22,186
		686,587
Deduct:		
New level access	113,066	
Depreciation	179,377	
Amortization of assets sold	25,456	
Leasehold improvements	704	
Examination and investigation of other properties	13,720	
Mining tax	10,729	343,052
		343,535
Provision for income taxes		52,345
Profit for the year ended September 30, 1965 (Exhibit "A")		**$ 291,190**

GIANT MASCOT

(Non-Personal

AND SUB

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		1965		1964
Cash on hand and in banks		**$ 48,554**	$	62,543
Funds on deposit		**141,464**		278,208
Term deposits		**300,000**		200,000
Accounts receivable		**14,159**		5,596
Concentrate settlements receivable		**221,784**		75,815
Concentrates on hand at estimated realizable value		**125,561**		284,578
Supplies on hand — at cost		**113,506**		120,485
Advance re Estella property		**10,000**		—
Prepaid expenses		**31,702**		30,577
Total current assets		**1,006,730**		1,057,802
Investment:				
Chattel mortgage		**11,500**		11,500
Exploration and development expenses on the Canam property		**236,936**		71,355
Buildings, plant and equipment — at cost	$ 1,346,063			
Less, accumulated depreciation	665,261	**680,802**		723,725
Mining properties — at cost		**270,172**		265,918
Unamortized portion of assets sold		**59,398**		84,854
Leasehold improvements		**2,814**		—
Preliminary expenses		**359**		359
		$ 2,268,711		$ 2,215,513

APPROVED ON BEHALF OF THE BOARD

"W. C. GIBSON", Director

"P. A. WOOTTEN", Director

MINES LIMITED

ability)

DIARY

S AT SEPTEMBER 30, 1965

LIABILITIES

			1965	1964
CURRENT LIABILITIES:				
Accrued wages			**$ 59,310**	$ 59,010
Accounts payable and accrued liabilities			**160,999**	146,290
Provision for mining tax			**10,729**	7,139
Provision for income taxes			**38,945**	31,136
Total current liabilities			**269,983**	243,575
Capital, Deficit and Earned Surplus:				
Capital:				
Authorized —				
5,000,000 shares of $1.00 each				
Issued —				
569,750 shares for cash		$ 569,750		
1,759 shares for services		1,759		
2,939,222 shares in exchange for shares of Hedley Mascot Gold Mines Limited (N.P.L.) and Silver Giant Mines Limited (N.P.L.)		2,939,222		
3,510,731		3,510,731		
Less, share discount		404,600		
		3,106,131		
Deduct, capital deficit		1,981,421		
		1,124,710		
Earned Surplus:				
Balance at October 1, 1964	$ 865,628			
Add, profit for the year ended September 30, 1965 (Exhibit "B")	291,190			
	1,156,818			
Less, dividends paid	(279,939)			
mining tax prior years	(2,861)	874,018	**1,998,728**	1,971,938
			$ 2,268,711	$ 2,215,513

I have examined the Consolidated Balance Sheet of Giant Mascot Mines Limited (Non-Personal Liability) and its subsidiary company as at September 30, 1965, and the related Statement of Profit and Loss for the year ended on that date, and have obtained all the information and explanations I have required. My examination included such tests of accounting records and such other auditing procedures as I considered necessary in the circumstances. In my opinion the above Consolidated Balance Sheet, supplemented by the Notes thereto and the related Statement of Profit and Loss, are properly drawn up in conformity with generally accepted accounting principles so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiary company as at September 30, 1965, and the results of the parent company's operations for the year then ended, according to the best of my information and the explanations given to me and as shown by the books of the Company and its subsidiary company.

Vancouver, B.C.
December 31, 1965.

"R. M. HOYLAND"
Chartered Accountant.

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

AND SUBSIDIARY

NOTES

1. As at September 30, 1965, certain officers and employees held options to purchase 108,000 shares of the Company at prices ranging from 80 cents to $1.40 per share exercisable on the basis of not more than one-fourth of each option each year for the next four years.

2. The Company entered into an agreement dated April 17, 1964, with Canam Copper Company Ltd. (Canam), Consolidated Mogul Mines Ltd. (Mogul) and Lorado Uranium Mines Limited (Lorado) whereby it was given the right to explore and develop certain mineral claims on Silver Daisy Mountain near Hope, B.C., and agreed to expend $100,000.00 by December 31, 1964. The agreement provided that the Company would continue exploration and development of the property if it committed to expend a further $125,000.00 by December 31, 1965. Both of these commitments were expended prior to September 30, 1965. At any time prior to April 30, 1966, the Company may give notice that it intends to place the property in commercial production. Upon making such election the Company will be committed to the installation of a mill with a daily rated capacity of not less than 1,000 tons, and to furnishing the necessary plant and equipment, and supplying or causing to be supplied the necessary working capital.

3. The Company's subsidiary has entered into an option agreement dated June 15, 1965, with A. M. Hepler and S. S. Pugh to purchase certain mineral claims situate near Nahwitti Lake in the Nanaimo Mining Division of British Columbia.

4. Pursuant to an agreement dated November 4, 1965, between Copper Soo Mining Company Limited (N.P.L.) (Copper Soo) and the Company, the Company gave notice to Copper Soo on November 9, 1965, of its election to place the Estella Mine in commercial production. By virtue of its election the Company is committed to proceeding forthwith (subject only to force majeure and other causes beyond the control of the Company) with reasonable dispatch and all due diligence to preparing the Estella Mine for production and to installing thereon a mill with a daily rated capacity of not less than 100 tons and such other facilities as may be required, and to furnishing or causing to be furnished the necessary working capital for the operation. A new private Company has been incorporated under the name "Giant Soo Mines Limited (N.P.L.)" to be the operating Company contemplated by the agreement. This operating Company is authorized to issue 3,000,000 shares, without nominal or par value. Copper Soo is presently transferring to the operating Company all the plant, machinery, equipment and Crown granted and recorded mineral claims and surface rights comprising the Estella Mine, and the mine stores and supplies for which it has already received the purchase price of $10,000.00. In consideration of the transfer of the Estella Mine to the operating Company, Copper Soo will receive 40% of the authorized share capital of the operating Company, that is, 1,200,000 shares, together with Class "B" Income Debentures of the operating Company in the principal sum of $90,000.00, bearing interest at the rate of 6% per annum. In consideration of its commitment to place the Estella Mine in commercial production, the Company will receive forthwith 60% of the authorized share capital of the operating Company, that is, 1,800,000 shares, and, in consideration of the expenditures to be incurred and the advances to be made by it in placing the property in commercial production, will be entitled to receive, from time to time, Class "A" Income Debentures of the operating Company bearing interest at the rate of 6% per annum and ranking in priority, both as to interest and principal, to the Class "B" Income Debentures to be issued to Copper Soo. The Class "A" and the Class "B" Income Debentures are to be secured by a first, fixed and specific mortgage and charge of the surface rights, the buildings and equipment and of the plant and equipment installed both underground and on the surface to place the Estella Mine in commercial production, and by a first floating charge on the whole of the assets and undertaking of the operating Company. The whole of the distributable profits of the operating Company (as defined in the agreement) will be paid out to the Company until the Class "A" Income Debentures issued to the Company have been fully retired. Thereafter, the whole of such distributable profits are to be paid to Copper Soo until the Class "B" Income Debentures issued to Copper Soo have been fully retired. After all the Class "A" and Class "B" Income Debentures have been fully redeemed, not less than 50% of such distributable profits are to be paid out by way of a dividend on the shares held by the Company and Copper Soo in the proportions, respectively, of 60% and 40%, unless the Directors of the operating Company should unanimously agree otherwise. There are to be five Directors of the operating Company of whom Copper Soo is entitled to nominate two and the Company the balance. Save with the unanimous consent of all its Directors the operating Company is not to engage in the exploration of any properties other than the Estella Mine.

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